

# CONSUMER INVESTMENTS IN 2026

## GROWTH, GUARDRAILS AND THE REALITY OF RISK

The FCA has stated its support for the Government's growth mission by simplifying rules, widening access, and encouraging investment. Nevertheless, 2026 will test how 'responsible risk-taking' can be reconciled with consumer protection.

HM Treasury is advocating for a more risk-embracing investment culture to unlock capital and drive competitiveness; the FCA remains concerned that some retail investors are already taking on too much risk, often via complex products and gamified platforms, and without appropriate customer understanding or financial resilience.

This tension will play out over 2026, and firms will need to remain alive to nuances in the way that the FCA regulates and supervises the design, distribution and advice about consumer investments.

### Policy proposals

On 8 December 2025, the FCA unveiled a set of measures with the aim to boost UK investment culture.

The FCA's 'landmark package' comprised of:

1. a short [statement](#) on the FCA's expectations for firms working together to manufacture products or services within the context of the Consumer Duty;
2. a discussion paper ([DP25/3](#)) on expanding consumer access to investments;
3. a consultation ([CP25/36](#)) on client categorisation and conflicts of interest; and
4. a policy statement ([PS25/20](#)) setting out the final rules of the consumer composite investments (CCI) regime, which will replace EU-derived packaged retail investment products (PRIIPS) and Undertakings for Collective Investment in Transferable Securities (UCITS) disclosure requirements.

Shortly afterwards, on 12 December 2025, the FCA published near-final rules ([PS25/22](#)) for a new regulatory framework for targeted support in pensions and retail investments, which aims to bridge the gap between advice and guidance. Joint FCA statements with each of the [Information Commissioner's Office](#) and the [Financial Ombudsman Service](#) further clarify expectations for firms.

The overarching aim of the FCA's latest initiatives is to help consumers make informed decisions and optimise their risk appetite, such that they invest in products which genuinely meet their needs. To achieve this, the FCA is looking to guide firms away from tick-box compliance towards proportionate, outcomes-focused regulation. This move will be welcomed by many firms who are straining to meet prescriptive and complex regulatory requirements. There will, for example, be very few lamentations for the replacement of PRIIPs KIDs and UCITS KIIDS with simplified product summaries.

However, outcomes-based regulation does not automatically equate to clarity for firms. The obvious question is whether firms can translate simplified regulatory rules and guidance into tangible practices that deliver better outcomes for consumers, without running the risk of future supervisory interventions or claims for redress.

In this briefing, we consider the political and social backdrop that informs the FCA's measures to boost culture, before evaluating some of the FCA's proposals.

## Reconciling the growth imperative with consumer protection

In her [2025 Mansion House speech](#), Chancellor Rachel Reeves framed risk as a necessary ingredient for economic prosperity, pressing to “*roll back regulation*” that has overcorrected in eliminating risk. The Treasury contends that rules have sometimes acted as a brake on investment and called for ideas to boost competitiveness in retail markets.

Echoing this concern, the House of Lords Financial Services Regulation Committee, in its 2025 report, [Growing pains: clarity and culture change required](#), criticised what it described as a “*deeply entrenched culture of risk aversion*” and regulatory complexity and uncertainty that dampens innovation and competitiveness.

However, while the FCA acknowledges the opportunity cost of under-investment, it is equally frank that many retail consumers - particularly younger cohorts - are already overexposed to high-risk products and harmful behavioural nudges. The FCA is concerned that too many consumers fail to recognise the real prospect of capital loss. The regulator has repeatedly flagged cryptoassets and contracts for difference (CfDs) as emblematic of misaligned retail risk; its [finding in 2022](#) that **approximately 80% of CfD customers lose money** is a stark statistic. The regulator’s unease is only exacerbated by design elements on trading apps (e.g., push notifications, trader leaderboards) that gamify decisions, reduce friction, and can ultimately lead to excessive risk-taking. Firms offering high-risk products should expect ongoing scrutiny on whether customer journeys, warnings and appropriateness tests genuinely support informed decision-making - particularly where foreseeable losses are common.

In its [discussion paper](#) on expanding consumer access to investment, the FCA identified a persistent disconnect between consumers’ stated risk appetite and actual behaviour - at both ends of the spectrum. Around a quarter of consumers holding high-risk investments do not have the financial resilience to withstand potential losses, while some of those with a higher risk tolerance remain overly conservative, holding excessive cash and therefore missing out on long-term growth as their savings are eroded by inflation. The FCA agrees with the Treasury that many consumers would do well to understand that holding cash is not risk free and could benefit from taking on more investment risk. Yet the challenge remains: **how can regulation encourage informed risk-taking without comprising consumer protection?**

**Food for thought:** As attention intensifies around high-risk products such as cryptoassets and CfDs, **2026 is likely to test what “good outcomes” really means under the Consumer Duty**. Does a good outcome require a positive financial result – an improbable outcome in markets where loss rates are persistently high – or is it sufficient that consumers receive clear and effective risk warnings, understand the likelihood of loss, and still choose to proceed?

*“We see potential for consumers to better understand and rebalance risk. But this will look different for different consumers, and not all consumers should be taking more risks with their money.” (FCA, DP25/3)*

## Cultural dynamics, generational practices and the rise of ‘financial nihilism’

The retail investment culture in the UK lags other jurisdictions. The FCA highlights in its [policy statement](#) on targeted support that in the three years to 2023, UK households allocated on average just 19% of their household financial assets to retail investment (funds, shares, bonds and other financial instruments), compared to EU (38%), and US (56%) households (New Financial, 2025). This is a cultural gap which the FCA, and certainly the Treasury, wants to close.

There is also a generational split. For older cohorts, the Treasury and FCA see untapped potential in households that have invested very little beyond cash. Yet shifting entrenched habits is notoriously difficult, even with new initiatives such as targeted support and simplified rules. Familiarity, inertia, distrust of investments and perceived lack of risk of cash remain powerful anchors.

At the other end of the spectrum, younger consumers present a different problem epitomised by what some commentators call **‘financial nihilism’**. Faced with a prolonged cost-of-living squeeze and seeing influencers apparently getting rich quickly, many do not view diligent, long-term investing as a worthwhile pursuit. Some are stepping away from markets entirely, while others gravitate toward high-risk behaviour such as speculative trading.

Such sociocultural trends are harder to change than regulatory frameworks. They demand sustained engagement, education, and rebuilding confidence in the value of incremental, long-term investing, without which even the most well-calibrated regulatory reforms risk falling short of their ultimate goal: a resilient, inclusive investment culture.

**Spotlight on crypto:** This debate also intersects with recent FCA thinking on cryptoasset investment. Unsurprisingly, FCA research suggests that when purchasing cryptoassets UK consumers are most likely to substitute spending away from other financial investments, as opposed to cash savings. This suggests that cryptoassets divert funds away from the “*productive investments*” desired by the Government. It also underscores the FCA’s broader challenge: as innovative products become more mainstream and accessible through digital channels, regulation must evolve to ensure consumers understand the implications of reallocating capital into higher-risk investments.

## Product agnostic regulation - a practical bridge?

One proposal that could help to reconcile the competing narratives at play is the FCA’s exploration of shifting from traditional product-centred rules to a risk-centred approach for speculative products. In its [discussion paper](#), the FCA questions whether shifting to a product agnostic model is better suited to today’s investment landscape. The rationale is clear: many of these speculative products share comparable risk characteristics (leverage, volatility, counterparty exposure) that can expose consumers to similar harms, but are regulated inconsistently in terms of risk information, accessibility, and product specific limitation.

The types of speculative product in question include CfDs, leveraged exchange traded products, margin lending, structured products and cryptoasset proxies.

The proposition appears to make sense. A risk-centred approach would help ensure underlying risks are treated consistently, regardless of the product wrapper. This approach should allow the FCA to address actual and potential harms more effectively and restrict firms from engineering products to avoid specific rules, which ultimately undermines consumer protection and market integrity. Subject to further FCA consultation, in practice, this would likely mean that regulatory rules - such as appropriateness checks, disclosure standards, and risk warnings - would be calibrated to the underlying risk/return profile of the investment, rather than its product category.

There is a strong argument that a new approach would lead to a more coherent and resilient regime, which is better equipped to regulate the evolving investment market. Naturally, the counterargument is that important risks inherent in certain products may be overlooked, but it is doubtful that these product-specific risks would be ignored. A hybrid approach - *risk-based but sensitive to product nuances* - may ultimately prevail.

## Targeted support: closing the ‘advice gap’

Alongside these proposals to change product regulation, the [new targeted support framework](#) will allow firms to offer ready-made suggestions for segments of consumers with common characteristics - such as those making unsustainably large pension drawdowns, holding inadequate retirement savings, or leaving excess cash idle in current accounts.

The initiative is an ambitious attempt to close the ‘advice gap’ by reaching millions of consumers who don’t and won’t pay for holistic financial advice and are currently underserved by generic guidance. The framework is designed to build confidence and support consumers in making suitable decisions - without crossing the threshold into advice (targeted support will itself be a new regulated activity).

*“... around 23 million consumers are currently underserved by the markets for advice and guidance. This costs consumers - they miss out on better returns that they could have from investing their money over the long term.” (FCA, PS25/22)*

The intention is admirable: prudent savers *should* be guided to take on *some* market risk where suitable, and vulnerable customers should absolutely be prevented from drifting into unsuitable high-risk products. Yet its success will be tested in a landscape where younger generations increasingly turn to generative AI for instant answers. While AI can provide speed and convenience, it lacks the regulatory guardrails, accountability, and consumer protection that underpin targeted support.

Regulation alone cannot close the advice gap; firms will need to combine targeted support with engaging digital journeys and education that demonstrate the value of regulated support over unverified online advice.

### Will firms want to step forward to offer targeted support?

The new rules are demanding. For example, the framework expects firms to ensure that any ready-made suggestion for a consumer segment would be suitable for an individual within that segment, based on accurate and up-to-date client information (which should be verified with the client where there is doubt). Furthermore, firms must withhold suggestions where the firm is, or ought to be, aware of potential unsuitability. Firms must be confident they can discharge these obligations, the exacting nature of which may temper industry uptake, at least until the programme becomes more established.

## Consumer composite investments disclosures: comparability without rigidity

The aim of improving risk comparability for consumers is also evident in the FCA's [new CCI regime](#), which will begin its phased implementation from April 2026, with full compliance by June 2027.

Underpinned by the Consumer Duty and aligned with reforms to the [advice guidance boundary](#), the CCI regime will replace the current PRIIPS regime and the UCITS disclosure requirements. Prescriptive templates will give way to flexible, consumer-friendly product summaries - no doubt a welcome change for product manufacturers. Distributors must deliver the summary unaltered and escalate concerns if the summary appears misleading.

A CCI, broadly, is defined as an investment where the returns are dependent on the performance of, or changes in, the value of underlying or reference assets. Examples include open-ended and closed-end funds, structured products and deposits, CfDs, insurance-based investment products, and other complex products like derivatives.

Flexibility of format is not a call for complete freedom: product summaries must include standardised core metrics to preserve comparability, including:

- **Costs and charges** (including a clear “ongoing costs” headline figure)
- **A volatility-based risk and return score**
- **A 10-year past performance line graph**

For 2026, in line with Consumer Duty expectations, it will be important for firms to test and refine how risk narratives are presented. We also anticipate supervisory attention on whether disclosures genuinely improve consumer understanding, and whether firms use flexibility to clarify, not obscure, liquidity and downside risk. Firms should begin testing revised disclosures now, ensuring risk narratives, cost transparency and past-performance information are both comprehensible and demonstrably effective in aiding understanding.

## Client categorisation: redrawing the retail/professional boundary

Alongside disclosure reforms, the FCA is also revisiting who qualifies for retail protections, which speaks directly to the issue of informed decision-making and appropriate risk. Proposed changes to client categorisation aim to ensure that protections are targeted where they matter most, without constraining genuinely sophisticated investors.

Two significant proposals from FCA's [consultation paper](#), open for comments until 2 February, stand out.

- First, an **alternative wealth route** for genuinely wealthy individuals (investable assets of at least £10 million) to opt out of retail protections with informed consent. This is deliberately set to be a high bar.
- Second, **the removal of the current COBS 3.5.2R(2) ‘quantitative test’** in favour of a holistic qualitative assessment of expertise, experience and resilience.

The rationale for the second change is that the existing quantitative assessment can be open to misuse and is overly relied upon as determinative of a client's capability to be a professional client. A strictly qualitative approach should encourage more well-rounded assessments. That said, this proposed change is not without challenges - qualitative assessments are inherently open-ended, shifting greater operational burden and judgment risk on to firms.

As the FCA continues to embed its broader philosophy of proportionate regulation that prioritises outcomes over tick-box compliance, firms should anticipate an increasing need to navigate these judgments. For now, firms should look ahead to refreshing client consent processes and updating client categorisation practices.

## Conclusion

While product innovation and customer choice remain crucially important, the FCA's ongoing concerns about high-risk, speculative investments highlight the dangers of consumers overreaching without adequate understanding or resilience. This tension - between unlocking capital and safeguarding consumers - underpins the FCA's 2026 agenda: from proposals for risk-based regulation of speculative products, to simplified CCI disclosures, to targeted support. Whether these reforms will ultimately satisfy the Treasury will depend on demonstrable progress in shifting consumer behaviour toward productive investment without compromising core consumer protections.

The challenge for firms and regulators alike is to channel risk responsibly: enabling informed participation in suitable investments while maintaining robust protections against inappropriate exposure to extremes. The FCA's measures aim to strike that balance. Whether they succeed will determine if 2026 marks a step toward a more confident and resilient UK investment culture.

# CONTACTS

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**Jan Putnis**  
PARTNER



**Nick Bonsall**  
PARTNER



**David Shone**  
PARTNER



**Charles Randell**  
SENIOR CONSULTANT



**Kristina Locmele**  
SENIOR COUNSEL



**Carla Edney**  
SENIOR COUNSEL



**Heather Broadbent**  
ASSOCIATE



**Emily Bradley**  
KNOWLEDGE COUNSEL



**Selmin Hakki**  
KNOWLEDGE COUNSEL